October 1, 1924.

My dear Mr. Head:

The Treasury has been concerned recently with the need for improving the currency. In solving this problem, I feel sure that we can count on the ooperation of the members of the American Bankers' Association, for the questions involved are of interest to bankers no less than to the Government and to the public.

During the last three years an unprecedented demand has developed for paper currency of the smaller denominations. This is particularly true of \$1 notes, which are being used in increasingly large numbers. In order to supply the demand and to meet redemptions of unfit and mutilated dollar bills, it is necessary to print and put into circulation 48,000,000 of these bills each month. A note which is thus rushed through the process of manufacture becomes unfit for circulation within seven or eight months of issue, whereas notes which have been given a reasonable period of seasoning, will continue in circulation from ten to eleven months. Bankers throughout the country are constantly complaining of the poor quality of the paper money; and, while the Treasury is aware of the situation and is doing all in its power to rectify it, we must ask your cooperation if the desired results are to be obtained.

Obviously we must build up a reserve supply of currency sufficiently large in amount to keep a portion of it in process of seasoning. This is what the Treasury intends to do. It will be necessary to obtain from Congress an additional appropriation with which to build up an adequate

Congress an additional appropriation with which to build up an adequate reserve stock, but in the end such a program will result in increased saving to the taxpayers. A dollar note costs today 1 7/10¢ to manufacture and keep in circulation. If its life can be prolonged by two months, so that it remains in circulation ten months instead of eight, a yearly saving of $1,666,000 will be effected in this denomination alone.

The building up of an adequate currency reserve will take time. One way of facilitating the operation is to increase the number of standard silver dollars in circulation, and this also the Treasury hopes to do. In this way we shall be able immediately to pile up a reserve of paper dollars in the amount of the standard silver dollars which are put into circulation.

The number of silver dollars in use today is far below normal. During the war, as you know, Congress passed the Pittman Act, authorizing the Treasury to melt standard silver dollars and sell them as bullion for use of the British Government in India. The greater portion of the silver thus sold was represented in currency circulation by silver certificates which were withdrawn from circulation. In addition to this decrease in the circulating medium, the number of silver dollars in current use has dropped from 84,000,000 in 1919 to 54,000,000 on July 1, 1924.

When silver again became available for purchase, the Treasury was required by law to buy silver and coin new standard silver dollars, which would replace those sold during the war. These repurchases are now completed but the Treasury has not succeeded in restoring, by at least 30,000,000, the number of silver dollars in circulation in 1919.

There are many reasons why the silver dollar should be restored to its former importance in the currency structure. In the first place, the life of a standard silver dollar has no reasonable limit, whereas that of a paper dollar does not at most exceed ten months. A paper dollar, as was pointed out above, costs 1 7/10¢ to manufacture and keep in circulation. If the Treasury, therefore can restore to circulation 30,000,000 dollars in continental United States and 10,000,000 in our insular possessions, we can displace equal amounts of paper currency and effect an annual saving on this item alone of $828,000, which is equivalent to the interest at 4% on $21,000,000 of the public debt.

The use of the silver dollar is not an innovation. It has merely lost its place temporarily in the circulation in certain localities; and all that is proposed is to restore a very limited amount of these coins as auxiliary to the paper currency. If we are to succeed in this plan, we must have your cooperation. It is necessary for the banks, through their cashiers and paying tellers, to explain to their customers the Government's reasons for wanting everyone to take at least one or two silver dollars with their paper currency. I am fully convinced that the public will cooperate if they know

that such action on their part will result, first, in a direct saving to the Government through a reduction of expenditures for currency, and, second, in an improvement in the quality of paper currency by making possible the accumulation of a currency reserve in process of seasoning. Silver dollars can not be forced upon an unwilling public. If a proper appeal is made, however, and the appeal is backed by logic and reason, the American public can be counted upon to cooperate with the Government in its effort to supply the currency requirements of the country.

Sincerely yours,

A. W. MELLON,
Secretary of the Treasury.

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President, American Bankers' Association,
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